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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, September 13, 2000

PETITION OF

CASE NO. PUA000059

VIRGINIA GAS PIPELINE COMPANY

For approval of the release of certain utility
assets

ORDER GRANTING APPROVAL

On July 26, 2000, Virginia Gas Pipeline Company (“VGPC,” “Petitioner”) filed a petition under the Utility Transfers Act requesting approval to release certain utility assets. More specifically, VGPC proposes to release certain rights acquired under the terms of an Oil and Gas Lease dated December 8, 1993 (the “Lease”), and a Deed dated September 21, 1994 (the “Deed”), from the Saltville Industrial Development Authority (“SIDA”) on approximately 10,000 acres. VGPC will release its rights to all acreage under the Lease and Deed except all rights in and to approximately 1,350 acres as described in a Contract of Sale dated June 13, 2000 (the “Contract”).

VGPC represents that the release of Rights will not have a negative impact on any of its qualifications or otherwise impair its ability to satisfy VGPC’s public service obligations in the Commonwealth of Virginia. VGPC specifically states that the release of rights will not impair its ability to operate its Saltville storage facility.

In its petition, VGPC represents that it has not historically utilized the acreage. The property was originally leased to Virginia Gas Exploration Company (“Exploration”) for the

purpose of potential development of natural gas wells. A well drilled on the property retained by Virginia Gas Company (“VGC”) proved dry to the extent that the possibility of natural gas reserves on the property to be released was extremely remote. The lease rights were subsequently transferred to VGPC for the purpose of utilizing the property for saltwater disposal in connection with developing salt caverns for underground storage of natural gas. Storage ponds and an evaporator plant built on the property retained by VGC are able to handle VGPC's saltwater disposal requirements. VGPC represents that, since the property to be released to the Town of Saltville and SIDA does not have natural gas reserves and since the property is not needed in connection with VGPC's saltwater disposal requirements, the property rights are not beneficial to the current and future needs of VGC and VGPC. The Town of Saltville has been pursuing the Rights to the property that has been leased by VGPC. VGPC does not need the property on which the Rights are being transferred, and the transfer will eliminate lease payments to the Town of Saltville from the operating expense of VGPC at the annual lease rate of \$2 per acre.

THE COMMISSION, upon consideration of the petition and representations of Petitioner and having been advised by its Staff, is of the opinion and finds that the above-described release of Rights will neither impair nor jeopardize the provisions of adequate service to the public at just and reasonable rates and should, therefore, be approved.

Accordingly, IT IS ORDERED THAT:

- 1) Pursuant to §§ 56-89 and 56-90 of the Code of Virginia, Virginia Gas Pipeline Company is hereby granted approval to release the Rights acquired under the terms of an Oil and Gas Lease to the Town of Saltville and SIDA as described herein.
- 2) The approval granted herein shall have no ratemaking implications.
- 3) VGPC shall submit to the Commission's Director of Public Utility Accounting notice of such release of Rights within sixty (60) days of the transaction.
- 4) There appearing nothing further to be done in this matter, it hereby is dismissed.